

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-496

June 15, 2004

MID-MAINE TELECOM
Request for Universal Service Funding

ORDER MODIFYING AMOUNT
OF USF SUPPORT

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Order, we order a reduction of \$116,012 in funding by the Maine Universal Service Fund for Mid-Maine Telecom. This reduction is in conjunction with a revenue-neutral increase in Mid-Maine's rates for local exchange service pursuant to plans for phasing in local rate increases and access rate decreases approved by orders in this docket issued on July 23 and November 4, 2003. The change in the amount of funding will become effective on July 10, 2004, the same date as the effective date of the local rate increases.

II. BACKGROUND

On March 5, 2003, we approved universal service funding (USF) for Mid-Maine Telecom. Funding from the Maine Universal Service Fund (MUSF) is available to independent local exchange carriers that are not able to cover their costs with revenues from rates for local exchange service and intrastate access charges. A condition of that funding is that recipients must establish local rates at least equal to those of Verizon. Chapter 288, § 3(C)(3). In addition, recipients (and all other LECs) must establish access rates that comply with 35-A M.R.S.A. § 7101-B (the "access parity" statute), i.e., access rates equal to their interstate access rates that were in effect on January 1, 2003. Mid-Maine reduced its access rates to interstate levels on May 30, 2003, even though the statute (amended in May 2003) did not require it to do so until May 31, 2005.

Chapter 288, § 3(D)(2) allows a delay of up to three years from the date of initial USF for a recipient to establish local rates equal to those of Verizon. The March 5, 2003 order granted the Company an exemption under that provision and required it to file a plan for phasing in increases to its local rates to Verizon levels.

Mid-Maine filed a local rate plan on May 15, 2003, proposing that on the date that it expanded its basic service calling areas (BSCAs), December 15, 2003, it would increase its local rates to those in effect for Verizon as of October 1, 2003. In an order issued on June 23, 2003, we approved the plan, subject to the condition (agreed to by the Company) that the Company propose a further rate increase early in 2004 so that its rates would remain equal to those of Verizon, whose rates would change on December 15, 2003. Verizon's rates changed on that date both for the purpose of offsetting BSCA

implementation revenue losses and because Verizon eliminated its local service “rate group” structure.

Mid-Maine filed proposed increases in its rates on February 20, 2004, and replacement drafts on March 29, 2004, with a proposed effective date of July 10, 2004. These proposed changes were assigned a separate docket number, 2004-136, and were approved on May 18, 2004.

III. DECISION

As anticipated by the earlier orders in this case and the plan for increasing local rates, the MUSF funding for Mid-Maine must decrease on a revenue-neutral basis when its local rates increase. Because Mid-Maine’s local rates will increase on July 10, 2004 with a positive revenue effect of \$116, 012, its MUSF funding will decrease by the same amount.

IV. FURTHER RATE AND USF CHANGES

In early 2005, with an effective date of July 1, 2005, Mid-Maine will need to file one further increase in rates in order to comply with the requirement that its rates must be at least equal to those of Verizon. Verizon recently increased its local rates by \$0.27 on June 1, 2004 and will be permitted to increase them by a similar amount on May 31, 2005 to offset the access charge reductions it needed to make to satisfy the requirements of 35-A M.R.S.A. § 7101-B. *Public Utilities Commission, Investigation of Compliance of Verizon Maine with Amended 35-A M.R.S.A. § 7101-B*, Docket No. 2003-358, Order Permitting Increase In Local Rates (May 28 and June 8, 2004). In early 2005, Verizon may also need to change its local rates (on a revenue-neutral basis) to take account of the results of “tracking” of replacement revenues required by the BSCA Rule, Chapter 204, § 5(C)(1). We therefore order Mid-Maine, in this docket, to file a further change in local rates by April 15, 2005 in order to take into account the changes in Verizon’s rates described above.¹ Mid-Maine shall file supporting materials that show the revenue effect of the rate changes. By separate Order issued in Docket No. 2003-490,² Mid-Maine must file the results of its tracking of replacement BSCA revenues on March 15, 2005. Those results will also affect the amount of future USF for Mid-Maine. Upon determination that the rates and calculated revenue effect of the

¹ The Hearing Examiner may grant an extension to this deadline if necessary. Both Mid-Maine and Verizon must file the results of their BSCA tracking by March 15, 2003. It may not be possible to approve changes in Verizon’s rates by April 15, 2005. Nevertheless, we establish this deadline as early as possible so that changes in amounts of USF funding will take place at the beginning of the third quarter in 2005 (July 1, 2005) and hope to approve Mid-Maine’s changes sufficiently in advance of that date for the USF Administrator to make the necessary changes.

² *Mid-Maine Telecom, Implementation of 2002 Amendments to Chapter 204*, Docket No. 2003-490, Order Approving BSCA Calculations Subject To Tracking (November 4, 2003).

further change in local rates are correct, and determination of the effect of the BSCA tracking account, we will order a further revenue-neutral change in MUSF funding.

Accordingly, we

O R D E R

1. A reduction in funding from the Maine Universal Service Fund for Mid-Maine Telecom in the amount of \$116, 012, effective on July 10, 2004;

2. Mid-Maine Telecom, on April 15, 2005, to file proposed changes in its rates for local exchange service, with a proposed effective date of July 1, 2005, so that its rates will be equal to those of Verizon Maine that will become effective on May 30, 2005; Mid-Maine shall file supporting materials showing the revenue effect of the proposed rate changes; Mid-Maine Telecom shall file those proposed rate changes in this docket and indicate in its cover letter that they are filed in compliance with this Order.

Dated at Augusta, Maine, this 15th day of June, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.